



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC TO DETERMINE EXTENT OF REGULATION ON VOIP CARRIERS

SAN FRANCISCO, February 11, 2004 – The California Public Utilities Commission (PUC) today voted to investigate the extent to which Voice over Internet Protocol (VoIP) telephony should be subject to Commission regulation. The Commission seeks to apply the least amount of regulation needed to fulfill its responsibilities under state law to realize state-mandated policies and objectives on behalf of all California consumers, while simultaneously not impeding the rapid, continued development of VoIP.

VoIP represents the next generation technology for the provision of voice and other services using Internet technology. VoIP competes with traditional providers of voice telephony, including incumbent telephone companies, competitive local exchange carriers, wireless carriers, and cable telephony providers. VoIP may be provided between computers, between a standard telephone and a computer, between a computer and a standard telephone, or between two standard telephones.

According to Commission staff, penetration by VoIP providers into the voice telephony market is growing rapidly. Commission staff projects that by 2008, VoIP may account for 25 to 40 percent of total intrastate telecommunications revenues in California.

As VoIP is offered increasingly to the mass market, major public policy issues arise. These include the impact of VoIP on critical universal service programs designed to ensure accessible and affordable telephone service to low-income customers, customers in high-cost and rural areas, and to disabled customers (Commission staff projects that by 2008, given current VoIP penetration rates, from \$200 million to \$400 million in revenue may no longer be available to support California's five statutorily mandated universal service programs, if the support for these programs continues to rely on surcharges placed on regulated revenues); VoIP's ability to address public safety and reliability concerns; VoIP's impact on intercarrier compensation for use of the PSTN; VoIP's impact on rapidly dwindling numbering resources; and VoIP's impact on a fair, competitive telecommunications

market for all providers. The proceeding opened today will consider these and other issues, balancing the interests of providers, consumers, and competitors.

Interested parties must state their intention of participating in this proceeding within 20 days. Written comments are due within 45 days.

For more information on the PUC, please visit www.cpuc.ca.gov.

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